



Patrick W. Henning, Director
August 15, 2008
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Arnold Schwarzenegger
Governor

Mr. Robert Martin, Director
Mother Lode Consortium
19890 Cedar Rd. North
Sonora, CA 95370

Dear Mr. Martin:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Mother Lode Consortium's (MLC) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. Jim Tremblay and Mr. TG Akins from May 5, 2008 through May 8, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by MLC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of MLC, a review of applicable policies and procedures, and a review of documentation retained by MLC for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on August 6, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated

corrective action plan (CAP) during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80146.

BACKGROUND

The MLC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, MLC was allocated: \$418,657 to serve 127 adult participants; \$460,502 to serve 50 youth participants; and \$402,374 to serve 79 dislocated worker participants.

For the quarter ending March 31, 2008, MLC reported the following expenditures and enrollments for its WIA programs: \$307,484 to serve 110 adult participants; \$253,433 to serve 39 youth participants; and \$287,484 to serve 55 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, MLC is meeting applicable WIA requirements concerning financial management, we noted two instances of noncompliance in the following areas: program income and debt collection. The findings that we identified in these areas, our recommendations, and MLC proposed resolution of the findings are specified below.

FINDING 1

- Requirement:** 20 CFR 667.200(a)(6) states, in part, that excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income.
- WIA Directive WIAD01-6 states, in part, that cash-on-hand from program income must be liquidated before requesting additional cash.
- WIA Directive WIAD06-4 states, in part, that grant recipients are responsible for ensuring all reports required by the State are submitted on time and the data reported is complete.
- Observation:** We observed that MLC is not reporting program income on their quarterly reports. The Fiscal Manager stated that MLC only reports program income at the end of each year. The Fiscal Manager indicated that she would start reporting program income on a quarterly basis.
- Recommendation:** We recommended that MLC report program income quarterly and provide the Compliance Resolution Division (CRD) with a CAP that states how it will ensure it reports program income on a quarterly basis.

MLC Response: The MLC stated that they reported program income with their PY 2007-08 year-end reports. Also MLC stated that it deposits program income immediately upon receipt and prior to requesting WIA funds from the state. In October 2008, and thereafter, MLC will report program income to the state on a quarterly basis. All MLC Fiscal Staff have been informed of this program income report requirement.

State Conclusion: The MLC stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, MLC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80146.

FINDING 2

Requirement: 20 CFR 667.500(a)(2) states, in part, a State must utilize the audit resolution, debt collection and appeal procedures that it uses for other Federal grant programs.

WIAD01-5 states, in part, that settlement of all debts resulting from fraud, malfeasance, misapplication of funds or other serious violations or illegal acts must be cash from nonfederal sources. Funds collected by LWIAs in settlement of these debts must be returned to CRD immediately on their receipt. In addition, each LWIA must establish, describe and maintain written debt collection procedures that include the local area's standards and specifications for terminating, compromising, and litigating debts.

Observation: While reviewing MLC's Debt Collection Policy and Procedures, we found that there was no reference to returning funds resulting from fraud, malfeasance, misapplication of funds or other serious violations or illegal acts immediately to CRD. Also, the debt collection policies and procedures did not include litigation as part of its procedures.

While onsite MLC updated their Debt Collection policies and procedures to include the required provisions. However, it was not approved by the Workforce Investment Board (WIB) at that time.

Subsequent to the onsite review, MLC stated in a May 15, 2008 email that the revised Debt Collection policies and procedures were approved by the WIB on May 15, 2008. We consider this issue resolved.

PROCUREMENT REVIEW RESULTS

We concluded that, overall, MLC is meeting applicable WIA requirements concerning procurement

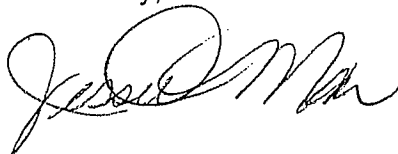
However, we identified a condition that may become a compliance issue if not addressed. Specifically, MLC has never competitively procured any youth service providers. In response to questions raised during the PY 2006-07 Fiscal and Procurement review, MLC set out to conduct a request for proposal for other potential youth service providers to determine if there were any other organizations that could provide youth services besides their partner organizations and themselves. However, MLC developed a timeline to conduct a formal Request for Proposal (RFP) during November and December 2008 to begin services July 1, 2009. Due to the delays since PY 2006-07 to competitively procure its Youth services, we suggested that MLC follow through with its timeline to complete this process.

In its response, MLC stated that the Mother Lode WIB has formed an RFP committee to this end and is on schedule with its procurement timeline. The MLC's response adequately addressed our concern.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is MLC's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain MLC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. TG Akins at (916) 654-8428.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
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